

2008 Executive's Sewer Rate and Capacity Charge Proposal Overview

May 2, 2007



King County

Department of Natural Resources and Parks
Wastewater Treatment Division

Summary of 2008 Proposal

Sewer Rate \$27.95 per month

- *maintains the 2007 sewer rate into 2008*

Capacity Charge \$46.25 per month

- *increase from current rate of \$42.00*
- *less than 2007 projection of \$50.00*

Creates a rate stabilization reserve balance of \$5.1 million for 2009 rate reduction

Key Factors Affecting 2008 Sewer Rate

- 40-year bond terms replace declining bond terms
- Nov 2006 bond refunding of \$143 million yields \$900,000 annual debt service savings
- Continuing low interest rates projected for 2007 and 2008, ranging between 4.5% - 5.0%
- 2006-2008 capital expenditures increased \$94 million compared to 2007 forecast

Executive's Rate Proposal is based on 40-year Bond Terms

Relationship between Sewer Rates and Bond Terms

Scenario description	Monthly sewer rates			
	2007-2008	2009	2010	2011
Executive's Proposal Bond Terms (years)	\$27.95 40	\$32.95 40	\$35.75 40	\$37.60 40
Bond terms decrease through 2011 Bond Terms (years)	\$27.95 29, 28	\$34.00 27	\$37.05 26	\$39.10 25
Difference	\$0.00	\$1.05	\$1.30	\$1.50

Executive's Capacity Charge Proposal is based on 40-year Bond Terms

Relationship between Capacity Charge and Bond Terms

Scenario description	Monthly capacity charge			
	2008	2009	2010	2011
Executive's Proposal Bond Terms (years)	\$46.25 40	\$47.64 40	\$49.07 40	\$50.54 40
Bond terms decrease through 2011 Bond Terms (years)	\$49.75 28	\$53.92 27	\$56.33 26	\$58.79 25
Difference	\$3.50	\$6.28	\$7.26	\$8.25

Comparison of Alternative Rate Forecasts

	2007	2008	2009	2010
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2007 Adopted Rate Forecast

Monthly Sewer Rate	\$ 27.95	\$ 27.95	\$ 34.00	\$ 36.21
Capacity Charge Rate	\$ 42.00	\$ 50.00	\$ 51.50	\$ 53.05

2008 Executive Proposed Rate Forecast

Monthly Sewer Rate	\$ 27.95	\$ 27.95	\$ 32.95	\$ 35.75
Capacity Charge Rate	\$ 42.00	\$ 46.25	\$ 47.64	\$ 49.07

2008 Rate Forecast, Single Year Rate

Monthly Sewer Rate	\$ 27.95	\$ 27.30	\$ 33.55	\$ 35.76
Capacity Charge Rate	\$ 42.00	\$ 46.25	\$ 47.64	\$ 49.07

2008 Executive Forecast Two-Year Rate

Monthly Sewer Rate	\$ 27.95	\$ 30.50	\$ 30.50	\$ 35.75
Capacity Charge Rate	\$ 42.00	\$ 46.25	\$ 47.64	\$ 49.07

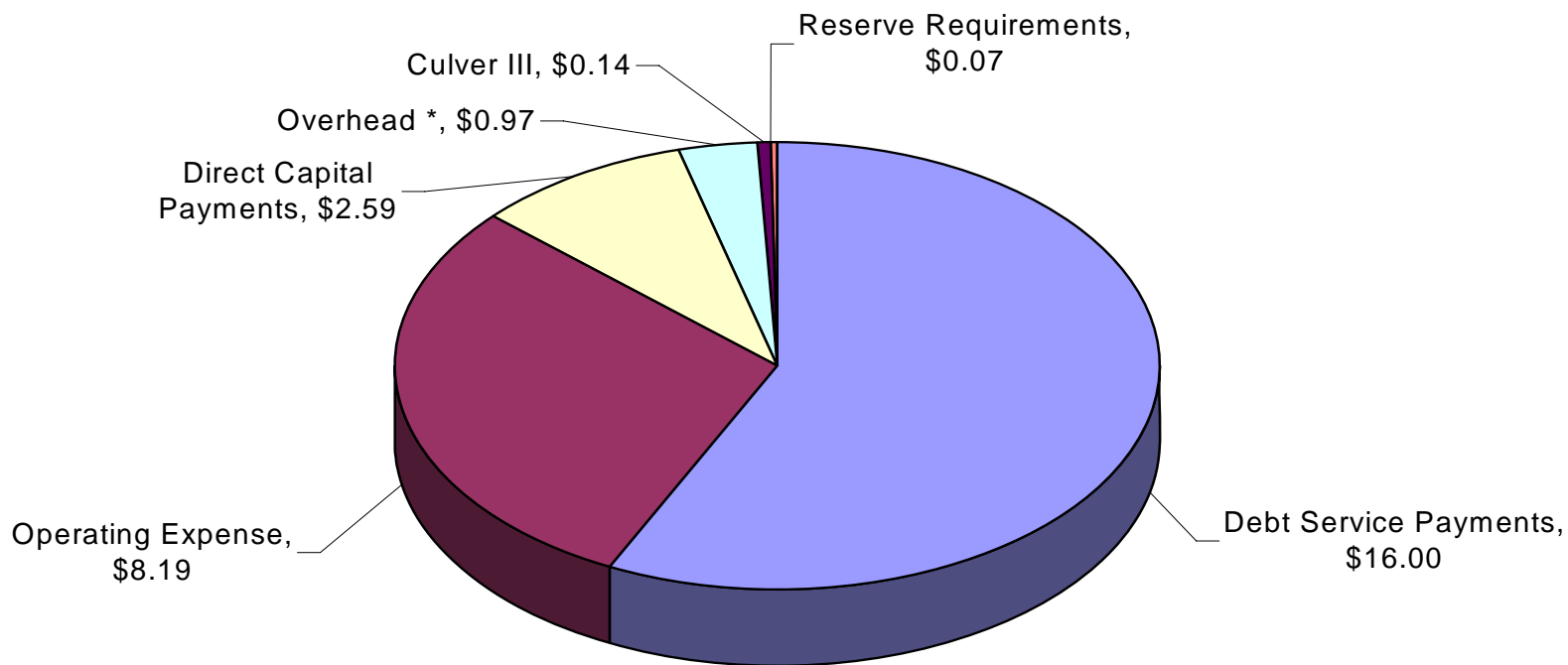
Comparison of Rate Forecasts Adopted 2007 and Proposed 2008

	2007	2008	2009	2010
Adopted 2007 Sewer Rate Financial Forecast				
Sewer Rate	\$ 27.95	\$ 27.95	\$ 34.00	\$ 36.21
Residential Customer Equivalents (RCEs)	696,732	700,216	703,717	707,240
Debt Service Coverage (Parity Debt)	1.35	1.34	1.33	1.32
Debt Service Coverage (Total Debt)	1.15	1.15	1.15	1.15
Rate Stabilization: Contribution (Use)	\$ 5,800,000	\$ (19,950,000)	\$ -	\$ -
Capacity Charge Rate	\$ 42.00	\$ 50.00	\$ 51.50	\$ 53.05
New Connections	8,500	8,500	9,000	9,000
Estimated Capacity Charge Revenue	\$ 23,320,000	\$ 27,352,000	\$ 31,660,000	\$ 35,917,000

Proposed 2008 Sewer Rate Financial Forecast

Sewer Rate	\$ 27.95	\$ 27.95	\$ 32.95	\$ 35.75
RCEs	694,390	697,860	701,350	704,860
Debt Service Coverage (Parity Debt)	1.35	1.35	1.33	1.34
Debt Service Coverage (Total Debt)	1.15	1.15	1.15	1.15
Rate Stabilization: Contribution (Use)	\$ 8,250,000	\$ (17,650,000)	\$ (5,100,000)	\$ -
Capacity Charge Rate	\$ 42.00	\$ 46.25	\$ 47.64	\$ 49.07
New Connections	9,000	9,000	9,400	9,600
Estimated Capacity Charge Revenue	\$ 24,000,000	\$ 28,032,000	\$ 32,585,000	\$ 37,389,000

Composition of \$27.95 Sewer Rate



Overhead reflects allocated charges from DNRP and other County agencies

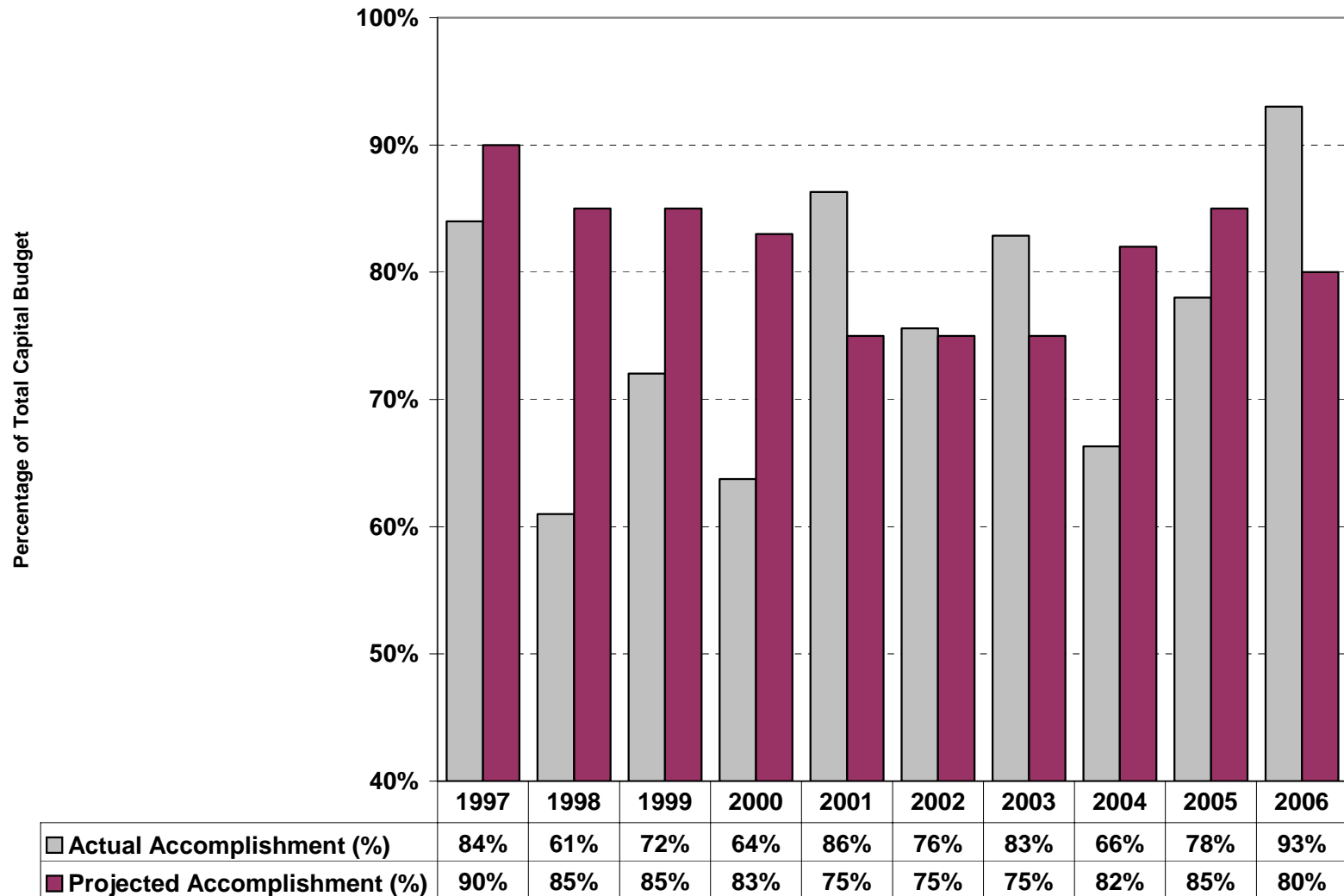
Capital Program Performance

Recent Capital Spending: Actual Compared to Planned

Category	Planned 2005 Cashflow	Actual 2005 Spending	Percent of Planned	Planned 2006 Cashflow	Actual 2006 Spending	Percent of Planned
Asset Management Total	\$45,385,135	\$38,379,563	85%	\$49,023,889	\$38,409,876	78%
Major CIP Total	\$73,863,081	\$62,811,737	85%	\$51,779,466	\$46,251,107	89%
Brightwater Facilities Total	\$139,069,465	\$102,044,815	73%	\$169,115,019	\$170,106,950	101%
Planning Total	\$27,210,055	\$19,845,322	73%	\$15,220,328	\$11,748,462	77%
Grand Total	\$285,527,736	\$223,081,437	78%	\$285,138,702	\$266,516,395	93%

Capital Accomplishment Rates

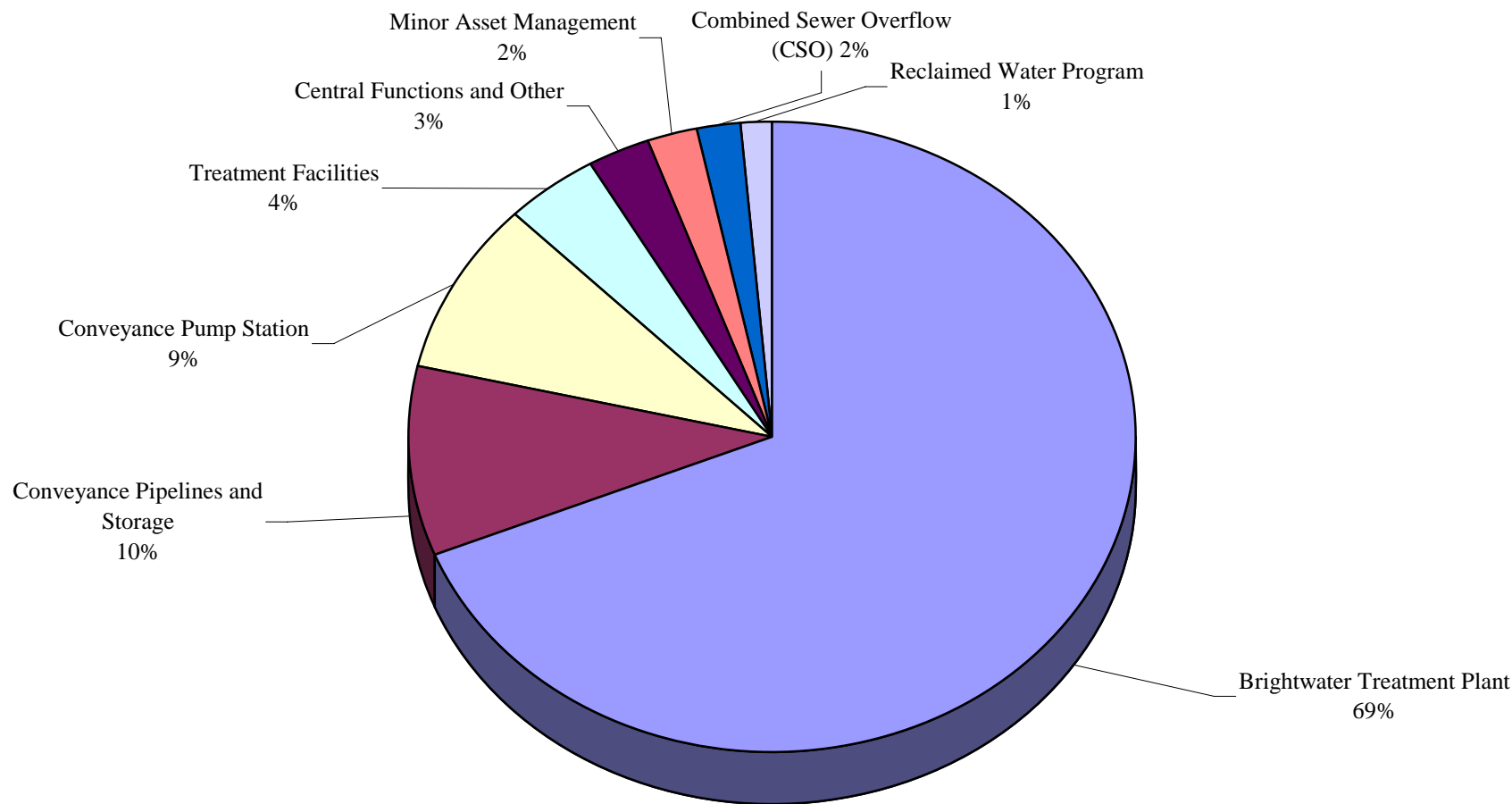
Comparison of Actual and Projected



**Wastewater Treatment Division 2008 Rate Proposal
Capital Spending Projections**

	2007	2008	2009	2010	2011	2012
2007 Adopted CIP	\$356,266,543	\$495,079,514	\$535,572,815	\$274,503,698	\$326,615,662	\$133,477,279
change	\$10,447,567	\$8,808,839	\$74,395,298	\$10,062,659	-\$89,907,216	\$17,124,721
2008 Updated CIP	\$366,714,109	\$503,888,353	\$609,968,113	\$284,566,357	\$236,708,446	\$150,602,000
Composition of 2008 Updated CIP with Accomplishment Rate						
Updated Brightwater Accomplishment Rate	\$201,906,340 90%	\$312,197,520 90%	\$421,934,988 90%	\$136,261,162 90%	\$130,254,761 90%	\$0.00 0%
Updated Rest of Program Accomplishment Rate	\$118,170,197 83%	\$130,311,842 83%	\$117,155,711 83%	\$110,527,005 83%	\$76,344,174 83%	\$124,999,660 83%
Total 2008 Updated CIP Accomplishment Rate	\$320,076,537 87%	\$442,509,362 88%	\$539,090,699 88%	\$246,788,167 87%	\$206,598,936 87%	\$124,999,660 83%
Comparison with 2007 Adopted Capital Program with Accomplishment Rate						
2007 Adopted CIP Accomplishment Rate	\$295,701,230 83%	\$410,915,996 83%	\$455,236,893 85%	\$233,328,144 85%	\$277,623,313 85%	\$113,455,687 85%
Difference from 2008 Update	\$24,375,307	\$31,593,366	\$83,853,806	\$13,460,023	-\$71,024,377	\$11,543,973

Composition of 2008 Planned Capital Spending



Other includes Biosolids, Environmental Lab and I/I

Comparison of Monthly Sewer Rate Projections

